

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY KABUL

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E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, AF

SUBJECT: EXIM POSITION REGARDING AFGHANISTAN

REFERENCE: A. KABUL 197, B. KABUL 377, C. KABUL 1081

1. EXIMBANK APPRECIATES EMBASSY'S EFFORTS IN PROVIDING
INFORMATION ON RECENT ECONOMIC CONDITIONS AND EXPORT
OPPORTUNITIES IN AFGHANISTAN. THE RECENT AND MORE
FAVORABLE ECONOMIC STATISTICS, PARTICULARLY ON FOREIGN
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TRADE AND THE INCREASE IN FOREIGN EXCHANGE RESERVES ARE
NOTED AND WILL BE TAKEN INTO ACCOUNT IN REVIEWING ANY
REQUESTS FOR EXIMBANK FINANCING IN AFGHANISTAN. WE ARE
CURRENTLY RECEIVING INQUIRIES ABOUT WIDE-BODIED AIRCRAFT
FOR ARIANA.

2. IN REFTTEL B, EMBASSY REFERS TO POSSIBLE PURCHASE OF AN
EARTH SATELLITE STATION. EXIMBANK HAS NOT BEEN APPROACHED

REGARDING THIS TRANSACTION BUT COULD CONSIDER THIS, PARTICULARLY IF THERE WERE SOME POTENTIAL FOR FOREIGN EXCHANGE EARNINGS FROM THIS PROJECT AS HAS BEEN THE CASE IN OTHER COUNTRIES WITH SATELLITE EARTH STATIONS.

3. AS EMBASSY NOTES, AFGHANISTAN IS LISTED BY THE UN AS ONE OF THE 25 LEAST DEVELOPED OF THE DEVELOPING COUNTRIES. AFGHANISTAN IS STILL VERY DEPENDENT ON LONG-TERM CONCESSIONAL LOANS AND THE COUNTRY'S AGRICULTURE IS HEAVILY SUBJECT TO THE VAGARIES OF WEATHER. CONSEQUENTLY, AFGHANISTAN'S INFRASTRUCTURE PROJECTS REQUIRE LONG-TERM AND LOW-INTEREST RATE LOANS. HOWEVER, EXIMBANK IS WILLING TO CONSIDER SUITABLE PROJECTS, PREFERABLY THOSE INVOLVING MODEST AMOUNTS AND WITH SOME POTENTIAL FOR EARNING FOREIGN EXCHANGE SINCE EXIMBANK LOANS MUST BE REPAID IN DOLLARS.

4. WE NOTE EMBASSY'S SUGGESTION REF. C FOR AN "IDA WINDOW" AT EXIMBANK AND ALSO THE NEED IN AFGHANISTAN FOR FINANCING FOR A GENERATOR BUT ONLY WITH AN INTEREST RATE NEARER IDA TERMS THAN COMMERCIAL ONES.

5. EXIMBANK OPERATES UNDER A MANDATE REQUIRING REASONABLE ASSURANCE OF REPAYMENT. CONGRESS HAS CONSISTENTLY OPPOSED THE IDEA THAT EXIMBANK WOULD OPERATE UNCLASSIFIED

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AS A CONCESSIONAL LENDING AGENCY.

6. ALTHOUGH EXIMBANK'S BASIC MISSION IS TO AID IN THE FINANCING AND TO FACILITATE EXPORTS OF U.S. GOODS AND SERVICES, IT IS A SELF SUSTAINING INSTITUTION WHICH DOES NOT OPERATE WITH APPROPRIATED FUNDS FROM CONGRESS. THEREFORE, THE INTEREST RATES ON EXIM LOANS MUST REFLECT ITS COST OF MONEY WHICH IS BASED UPON CURRENT MARKET INTEREST RATES. EXIMBANK'S CURRENT INTEREST RATE SCALE VARIES FROM 7-3/4 PERCENT FOR LOANS WITH A MATURITY OF UP TO 6 YEARS AND INCREASES 1/8 PERCENT PER YEAR UP TO THE MAXIMUM OF 8-3/4 PERCENT. WHILE THIS SCALE RATE MAY BE LOWERED IN SOME CASES FOR COMPETITIVE REASONS, EXIMBANK MUST HAVE SUFFICIENT EARNINGS TO COVER ITS COST OF BORROWING FUNDS AT MARKET RATES AND FOR ITS OTHER EXPENSES. IN MOST PROJECT LOANS, THERE IS A REQUIREMENT OF A 15 PERCENT CASH PAYMENT WITH THE REMAINING U.S. COSTS FINANCED BETWEEN EXIMBANK AND COMMERCIAL SOURCES, THE LATTER ON MARKET INTEREST RATES. THE EXIMBANK PORTION IS GENERALLY BETWEEN 40 - 50 PERCENT OF THE FINANCING, BUT IN EXCEPTIONAL CASES MAY BE AS HIGH AS 85 PERCENT.

7. ADDITIONALLY, EXIMBANK BEING A PARTY TO THE CONSENSUS AGREEMENT BETWEEN THE GOVERNMENT EXPORT CREDIT AGENCIES AROUND THE WORLD, IS RESTRICTED TO A MINIMUM INTEREST RATE OF 7.25 PERCENT ON ITS LOANS AND, WITH SOME EXCEPTIONS, A LIMIT ON THE MATURITY OF LOANS IN COUNTRIES IN THE CATEGORY OF AFGHANISTAN TO 10 YEARS. VANCE

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